

## HOG PRODUCTION

### COSTS AND RETURNS 2001 - 2002 <sup>1/</sup>

| ITEM  | UNITED STATES |         | HEARTLAND                           |         | EASTERN UPLANDS |         |
|---|---------------|---------|-------------------------------------|---------|-----------------|---------|
|   | 2001          | 2002    | 2001                                | 2002    | 2001            | 2002    |
| Gross value of production                                 |               |         | Dollars Per Cwt. Gain <sup>2/</sup> |         |                 |         |
| Market hogs   | 42.97         | 32.50   | 43.75                               | 32.90   | 35.14           | 26.04   |
| Feeder pigs   | 14.35         | 11.24   | 11.27                               | 9.10    | 21.96           | 16.19   |
| Cull stock  | 1.39          | 0.89    | 1.29                                | 0.84    | 2.78            | 1.85    |
| Breeding stock  | 1.01          | 0.66    | 0.50                                | 0.36    | 4.67            | 3.22    |
| Inventory change  | 0.63          | 0.42    | -0.36                               | -0.07   | -1.41           | -2.37   |
| Other income <sup>3/</sup>                                | 1.65          | 1.32    | 1.89                                | 1.48    | 1.33            | 1.06    |
| Total, gross value of production                          | \$62.00       | \$47.03 | \$58.34                             | \$44.61 | \$64.47         | \$45.99 |
| Operating costs:  |               |         |                                     |         |                 |         |
| Feed  |               |         |                                     |         |                 |         |
| Grain   | 5.34          | 6.23    | 7.10                                | 8.08    | 4.38            | 5.63    |
| Protein sources   | 4.62          | 4.68    | 6.45                                | 6.40    | 2.16            | 2.57    |
| Complete mixes  | 10.22         | 10.43   | 7.74                                | 7.96    | 12.24           | 12.30   |
| Other feed items <sup>4/</sup>                            | 0.18          | 0.18    | 0.23                                | 0.22    | 0.82            | 0.87    |
| Total, feed costs   | \$20.36       | \$21.52 | \$21.52                             | \$22.66 | \$19.60         | \$21.37 |
| Other   |               |         |                                     |         |                 |         |
| Feeder pigs   | 16.63         | 12.99   | 14.30                               | 11.37   | 10.82           | 7.62    |
| Veterinary and medicine                                   | 1.10          | 1.08    | 1.22                                | 1.19    | 1.24            | 1.22    |
| Bedding and litter  | 0.03          | 0.03    | 0.04                                | 0.04    | 0.03            | 0.03    |
| Marketing   | 1.05          | 1.04    | 0.63                                | 0.64    | 1.60            | 1.57    |
| Custom services   | 0.42          | 0.41    | 0.32                                | 0.32    | 0.14            | 0.15    |
| Fuel, lube, and electricity                               | 1.32          | 1.17    | 1.45                                | 1.27    | 1.92            | 1.69    |
| Repairs   | 0.78          | 0.79    | 0.92                                | 0.91    | 1.05            | 1.07    |
| Other operating costs <sup>5/</sup>                       | 0.04          | 0.04    | 0.03                                | 0.03    | 0.08            | 0.08    |
| Interest on operating capital                             | 0.70          | 0.33    | 0.68                                | 0.32    | 0.61            | 0.29    |
| Total, operating costs                                    | \$42.43       | \$39.40 | \$41.11                             | \$38.75 | \$37.09         | \$35.09 |
| Allocated overhead:                                       |               |         |                                     |         |                 |         |
| Hired labor   | 2.39          | 2.55    | 2.43                                | 2.61    | 2.61            | 2.78    |
| Opportunity cost of unpaid labor                          | 4.94          | 4.91    | 5.84                                | 5.70    | 9.39            | 10.00   |
| Capital recovery of machinery and equipment <sup>6/</sup> | 10.74         | 10.53   | 11.11                               | 10.86   | 13.30           | 12.95   |
| Opportunity cost of land (rental rate)                    | 0.05          | 0.05    | 0.05                                | 0.05    | 0.09            | 0.09    |
| Taxes and insurance                                       | 0.46          | 0.45    | 0.50                                | 0.49    | 0.82            | 0.78    |
| General farm overhead                                     | 0.97          | 0.99    | 1.02                                | 1.03    | 1.11            | 1.14    |
| Total, allocated overhead                                 | \$19.55       | \$19.48 | \$20.95                             | \$20.74 | \$27.32         | \$27.74 |
| Total, costs listed                                       | \$61.98       | \$58.88 | \$62.06                             | \$59.49 | \$64.41         | \$62.83 |
| Value of production less total costs listed               | 0.02          | -11.85  | -3.72                               | -14.88  | 0.06            | -16.84  |
| Value of production less operating costs                  | 19.57         | 7.63    | 17.23                               | 5.86    | 27.38           | 10.90   |
| Supporting information:                                   |               |         |                                     |         |                 |         |
| Production arrangement (% of production) <sup>1/</sup>    |               |         |                                     |         |                 |         |
| Independent   | 57            | 57      | 72                                  | 71      | 38              | 42      |
| Under contract  | 43            | 43      | 28                                  | 29      | 62              | 58      |
| Size of operation (head sold/removed) <sup>1/</sup>       |               |         |                                     |         |                 |         |
| Market hogs   | 1,994         | 2,126   | 1,706                               | 1,852   | 982             | 1,015   |
| Feeder pigs   | 1,436         | 1,545   | 924                                 | 1,045   | 1,668           | 1,725   |

The Economic Research Service revised its accounting methodology for corn, soybeans, cotton, grain sorghum, peanuts, hogs and cow-calf enterprises to conform with the new stands recommended by the American Agricultural Economics Association (AAEA) Task Force on Commodity Costs and Returns. For these same commodities, ERS is publishing regional estimates using new resource regions. **Western Kentucky is considered Heartland while eastern Kentucky is included in Eastern Uplands.**

<sup>1/</sup>Developed from survey base year, 1998. <sup>2/</sup>Cwt gain = (cwt sold - cwt purchased) + cwt inventory change. <sup>3/</sup>Value of manure production. <sup>4/</sup>Milk replacer, milk, milk by-products, antibiotics, and other medicated additives. <sup>5/</sup>Costs for odor control and fees, permits, licenses, and other regulatory costs. <sup>6/</sup>Machinery and equipment, and housing, manure handling, and feed storage structures, and breeding herd.